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SCB Securities Company Limited

Export growth better-than-expected in December 2020. However, amid the second wave of COVID-19 infections, exports could fall below previously forecasted levels in 2021.

22 January 2021

Key summary

The value of Thai exports in December 2020 expanded by a higher-than-expected rate at 4.7%YOY, following the global economic recovery prior to the second-wave outbreak. The value of overall exports in 2020 fell by -6.0%. Excluding gold and weaponry, exports tumbled to -8.4%.

Going forward, risks that could stall Thai exports in the short-term include 1) slowing global economic conditions prompted by the recurring waves of the global coronavirus pandemic, 2) container shortage issue, 3) the strengthening baht, and 4) risk in seafood export due to the COVID-19 outbreak in Samut Sakhon province, in addition to the potential shortages of migrant workers. Therefore, EIC revises down the Thai export forecast in 2021 to 4.0%, falling slightly from the previous forecast of 4.7%.

Key points

The value of Thai exports reverted to a 4.7%YOY expansion in December 2020, improving from the -3.6%YOY contraction in the previous month. Excluding gold, exports slightly increased to 5.0%YOY. Such improving conditions represented the first expansion in 8 months. As such, overall exports in 2020 dropped by -6.0%YOY. Excluding gold and weaponry shipments to the US, exports tumbled by -8.4%YOY.

Exports of industrial products from various sectors improved. Similarly, exports of products relating to working at home, food, and rubber gloves continued to expand (Figure 1).

- Exports of overall industrial merchandise returned to growth for the first time in 8 months with a 6.7%YOY improvement. Industrial products in various sectors grew according to better global economic conditions, for example, automotive and parts (3.2%YOY), chemicals and plastic (9.5%YOY), electronic integrated circuits (7.3%YOY), and machinery and parts (8.6%YOY).
- Exports of aircraft, spacecraft, and parts soared by 159.3%YOY following the reshipment of aircraft in December. Export destinations that saw significant growth included Indonesia (51,169.7%YOY), the Philippines (9,686.6%YOY), and Germany (948.6%YOY). The contribution to

growth from the export category was at approximately 0.4 ppt. of the export value in December 2020.

- **Exports of agricultural products continued to improve for 2 consecutive months with the latest month growth of 10.7%YOY**, after expanding by 6.9%YOY in the previous month. Key products influencing such growth were rubber (30.0%YOY), cassava products (63.6%YOY), and fresh/ chilled/ frozen/ dried fruits (9.1%YOY).
- **Exports of products relating to living and working at home and COVID-19 prevention continued to improve.** Key items that drove the expansion were pet food (25.7%YOY), air conditioner and parts (8.4%YOY), washing machines and parts (10.2%YOY), furniture and parts (15.5%YOY), fax machines, telephone and parts (33.9%YOY), medical instruments and appliances (18.3%YOY), and rubber products (15.7%YOY) with rubber gloves surging by 220.3%YOY.
- **Nevertheless, exports of agro-industrial products continued to fall for 8 consecutive months with the latest month drop of -7.5%YOY**, after falling -12.2%YOY in the previous month. Key products that drove the decline included beverages (-11.5%YOY) and sugar (-75.4%YOY).
- **Exports of refined fuel continued to drop for 10 consecutive months with the latest month decline of -16.6%YOY.** Key markets with contractions included Singapore (-32.2%YOY), Malaysia (-24.3%YOY), and China (-47.7%YOY).

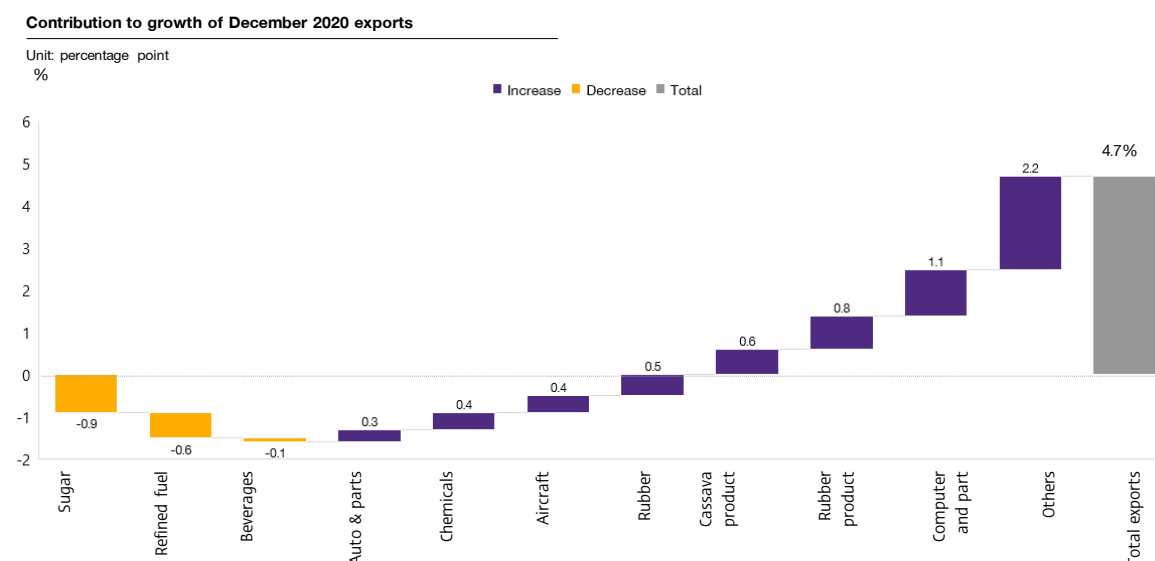
Figure 1: Exports of industrial products from various sectors significantly improved. Similarly, exports of products relating to working at home, food, and COVID-19 prevention continued to expand.

Export by product									
Unit: %YOY, (Share in 2020)	2019	2020	2020Q1	2020Q2	2020Q3	2020Q4	Oct-20	Nov-20	Dec-20
Overall exports	-2.6%	-6.0%	1.0%	-15.2%	-7.8%	-2.0%	-6.7%	-3.6%	4.7%
Exports excl. arm (100%)	-3.4%	-5.7%	3.2%	-16.1%	-7.8%	-2.0%	-6.7%	-3.6%	4.7%
Exports excl. gold and arm (94.2%)	-4.7%	-8.4%	-1.2%	-19.8%	-10.8%	-1.6%	-6.4%	-3.1%	5.0%
Electrical appliance (10.2%)	-0.4%	-2.7%	-1.0%	-22.0%	1.6%	10.9%	10.0%	9.5%	13.2%
Auto & parts (9.2%)	-5.6%	-22.2%	-10.4%	-52.7%	-24.8%	-0.5%	-12.6%	10.3%	3.2%
Agriculture (9.2%)	-6.2%	-3.2%	-8.6%	1.4%	-9.6%	4.8%	-3.3%	6.9%	10.7%
Chemical & plastic (8.1%)	-11.8%	-10.7%	-12.4%	-19.4%	-10.3%	-0.3%	-6.0%	-3.7%	9.5%
Computer and part (8.1%)	-7.6%	2.3%	8.8%	-6.8%	3.7%	3.8%	4.2%	-7.4%	15.1%
Agro (7.8%)	2.9%	-4.0%	4.0%	-3.0%	-4.8%	-11.5%	-14.1%	-12.2%	-7.5%
Rubber product (5.3%)	1.9%	7.8%	6.6%	-7.7%	15.7%	15.5%	17.6%	13.3%	15.7%
IC (3.1%)	-8.9%	-5.7%	-6.3%	-5.1%	-9.7%	-1.8%	-4.2%	-8.2%	7.3%
Machinery and part (2.8%)	-10.6%	-11.0%	-1.9%	-27.4%	-16.5%	1.9%	-4.4%	1.6%	8.6%
Refined fuel (2.3%)	-21.4%	-26.9%	-4.0%	-42.5%	-33.2%	-27.9%	-46.4%	-19.6%	-16.6%
Export by destination									
Unit: %YOY, (Share in 2020)	2019	2020	2020Q1	2020Q2	2020Q3	2020Q4	Oct-20	Nov-20	Dec-20
USA* (14.4%)	5.0%	12.8%	16.1%	1.1%	17.6%	16.0%	17.0%	15.4%	15.7%
ASEAN 5 (13.5%)	-9.8%	-12.2%	5.3%	-19.7%	-19.0%	-15.0%	-27.2%	-15.0%	0.8%
China (12.9%)	-3.8%	2.0%	-0.9%	12.1%	-0.2%	-2.6%	-6.1%	-8.9%	7.2%
CLMV (10.6%)	-6.3%	-11.1%	2.8%	-25.9%	-9.2%	-12.0%	-17.0%	-13.0%	-6.3%
Japan (9.9%)	-1.7%	-6.7%	-5.5%	-13.5%	-12.2%	4.2%	-5.3%	5.4%	14.8%
EU15 (8%)	-6.6%	-12.7%	-4.0%	-30.7%	-12.6%	-3.7%	-0.4%	-8.5%	-2.4%
Hong Kong (4.9%)	-6.5%	-3.6%	12.3%	-8.6%	-13.9%	-2.0%	-0.5%	-13.9%	10.0%
Australia (4.3%)	-5.1%	-3.9%	-2.3%	-15.9%	-8.9%	14.8%	6.9%	24.3%	15.3%
Middle East (3.2%)	-1.6%	-13.0%	3.7%	-22.0%	-24.3%	-10.1%	-18.1%	-12.1%	0.1%
India (2.4%)	-3.8%	-25.2%	-11.4%	-67.2%	-21.6%	9.0%	13.7%	-1.3%	14.5%

Remarks: * Excluding weaponry shipments to the US in 2019 and 2020

Source: EIC analysis based on data from the Ministry of Commerce

Figure 2: Key products influencing Thai exports in December 2020.



Source: EIC analysis based on data from the Ministry of Commerce

Regarding exports by destinations, exports improved in various markets, including the US, China, Japan, and ASEAN5. On the contrary, exports to EU15 and CLMV continued to drop.

- Exports to the US continued to improve for 7 consecutive months with the latest month growth of 15.7%YOY, slightly improving from 15.4%YOY in November. Major products contributing to the growth included computer, parts, and components (12.7%YOY), rubber products (13.8%YOY), and automotive and parts (55.0%YOY).
- Exports to China reverted to a growth of 7.2%YOY, marking the first expansion in 3 months, after falling by -8.9%YOY in the previous month. Products that led the expansion were computer, parts, and components (33.5%YOY), and fresh/ chilled/ frozen/ dried fruits (29.4%YOY), cassava products (124.5%YOY), and chemicals (48.0%YOY).
- Exports to ASEAN5 improved slightly by 0.8%YOY, after tumbling by -15.0%YOY in the previous month. Key products with growth were computer, parts, and components (71.0%YOY), electronic integrated circuits (11.1%YOY), and aircraft, spacecraft, and parts (378.5%YOY).
- Exports to Japan increased for 2 consecutive months with the latest month growth of 14.8%YOY, edging up from 5.4%YOY in the previous month. Products influencing the growth were automotive and parts (91.5%YOY), chemicals (87.9%YOY), and machinery and parts (24.5%YOY).
- Exports to Australia stalled to 15.3%YOY, after surging by 24.3%YOY in the previous month. The products that led the expansion included automotive and parts (17.7%YOY), precious stones and jewelry (217.6%YOY), and air conditioner and parts (31.9%YOY).
- Exports to India climbed to 14.5%YOY, improving from the decline of -1.3%YOY in the previous month. Products that contributed to such growth were automotive and parts (24.3%YOY) and chemicals (35.3%YOY).

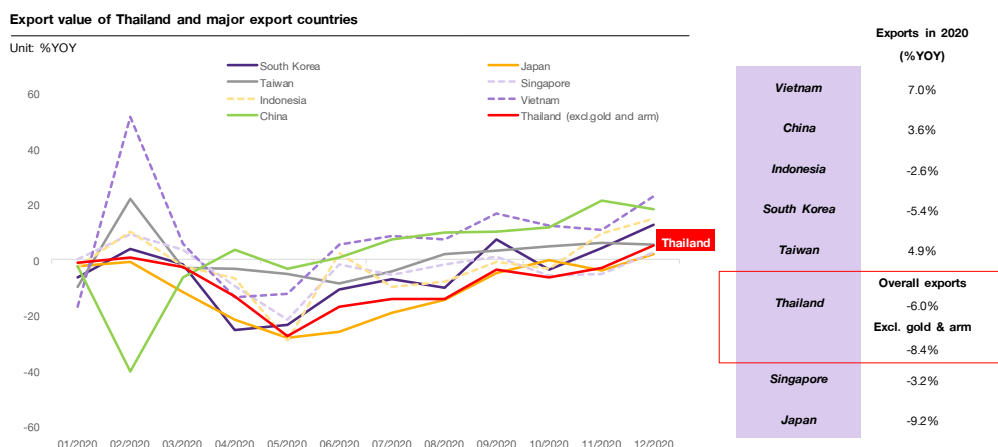
- However, exports to EU15 continued to fall by -2.4%YOY, after dropping by -8.5%YOY in the previous month following slowing export situations of key products, such as automotive and parts (-28.3%YOY), precious stones and jewelry (-30.2%YOY), and processed chicken (-21.9%YOY).
- Exports to CLMV contracted for 9 consecutive months with the latest month drop of -6.3%YOY, after falling -13.0%YOY in the previous month. The main products that drove the decline were refined fuel (-1.6%YOY) and beverages (-16.3%YOY).

In terms of imports, the value of Thai imports in December expanded by 3.6%YOY, after shrinking by -0.1%YOY in November. Imports in nearly all categories returned to growth, including capital goods (8.9%YOY), consumer goods (2.1%YOY), vehicles and transportation equipment (6.4%YOY), and raw materials and intermediate raw materials (11.2%YOY). However, imports of fuel products continued to decline by -17.3%YOY. As such, total imports in 2020 dropped by -12.4%YOY. The trade balance in December was at a surplus of USD 1.9 billion, whereas the total trade balance in 2020 was at a surplus of USD 20.7 billion.

Implication

Thai exports in December 2020 grew by a higher-than-expected rate following the global economic recovery. Such high growth marked the first expansion since March 2020 and was in line with the export results in various key economies (Figure 3). The growth also suggested recovering global trade conditions before the second-wave of COVID-19 casualties hit Thailand and key trading partners. Thailand's key merchandise exports improved across the board in December, including automotive and parts (3.2%YOY), electronics (15.9%YOY), and chemicals and plastic (9.5%YOY). As such, overall export growth in 2020 was better than expected at -6.0% (compared to the previous forecast of -8.0%).

Figure 3: The export conditions of key exporting countries, including Thailand, continued to improve in 2020 after bottoming out.

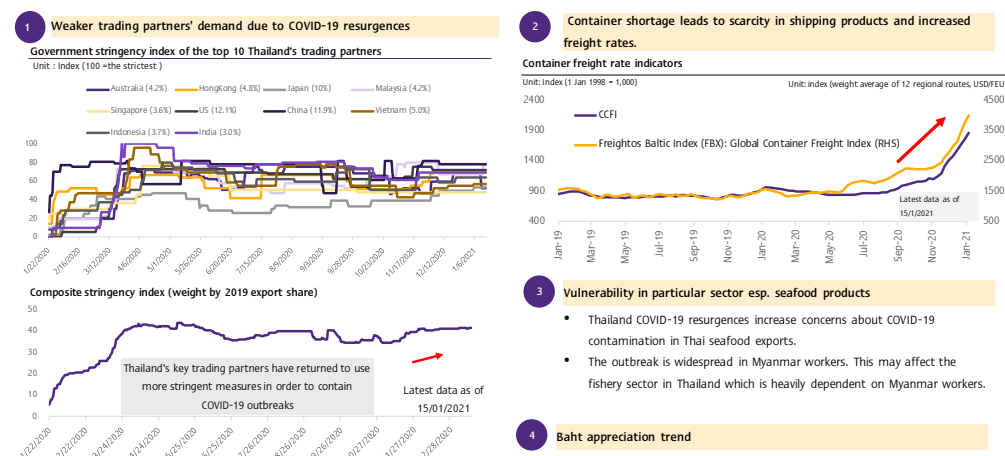


Source: EIC analysis based on data from the Ministry of Commerce and CEIC

In 2020, Thailand's export sector was severely hampered by COVID-19, pressuring overall growth to plummet by -6.0%. Excluding gold and weaponry reshipments, exports further tumbled to -8.4%. The COVID-19 outbreak during early 2020 pushed various economies into a recession, especially during Q2-2020 when numerous countries imposed strict lockdown measures to contain the virus. Such conditions prompted a sudden stop in global trade activities as well as triggering supply chain disruption. As such, in Q2-2020, exports dropped significantly by -15.2%YOY. However, as various countries gradually eased lockdown restrictions, Thailand's export sector started to recover in H2-2020. Export products that performed well in 2020 were products that benefited from the work from home and health trends, such as computer, parts, and components (2.3%), electronics (2.5%), rubber gloves (94.9%), and canned and processed seafood (3.4%). On the contrary, products that suffered serious consequences were durable goods and luxury goods, such as automotive and parts (-22.2%), textile (-16.8%), and precious stone and jewelry excluding gold (-39.9%).

The recurring waves of COVID-19 pandemic that are spreading globally, including in Thailand should impair Thailand's export sector in the short term (Figure 4). The returning waves of the outbreak should slow the demand from trading partners in the short-term before such demand should accelerate again once the majority of citizens receive vaccinations. From preliminary estimates, advanced economies should develop herd immunity in Q2 to Q3 this year. Meanwhile, developing economies will establish herd immunity later on due to the slower arrival of vaccinations. Regarding container shortages, the problem will continue to hamper export conditions, especially during Q1-2021. The strong baht will directly hurt Thai merchandise exports, especially agricultural products. Furthermore, the COVID-19 outbreak in Samut Sakhon province and the potential shortages of migrant workers in the fishery sector due to the widespread COVID-19 infections in the group could hamper Thai seafood exports. With such regards, EIC revises down the export forecast for 2021 to 4.0%, slightly reducing from the previous forecast of 4.7%.

Figure 4: Factors contributing to a slower-than-expected recovery of Thai exports, particularly during Q1-2021.



Source: EIC analysis based on data from the Ministry of Commerce, CEIC, and Bloomberg

As for the progress on antidumping duty (AD) investigation on Thai tires, Thai tires that will be exported to the US could face additional antidumping duty in the range of 13.25 – 22.21%. If the determination is affirmative, Thai tire exporters will have to bear such increasing export costs. However, the export costs of Thai tires should increase by a slower rate in comparison to other competing countries, as Korean and Taiwanese tire exporters will face additional antidumping duty in the range of 14.24 – 38.07% and 52.42 – 98.44%, respectively. Furthermore, Vietnamese tire exporters could face additional antidumping duty in the range of 0.00 – 22.30% and countervailing duty (CVD) in the range of 6.23 – 10.08%. The results of the final determination should be monitored and should be concluded by mid-2021. In the meantime, exporters of Thai tires to the US could encounter temporary charges.

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